

Minneapolis Community Development Agency

Request for City Council Action

Date: May 6, 2003

To: Council Member Lisa Goodman, Community Development Committee
 Council Member Barbara Johnson, Ways and Means/Budget Committee

Refer to: MCDA Board of Commissioners

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Approved by Lee Sheehy, MCDA Executive Director
 Chuck Lutz, MCDA Deputy Executive Director _____

Subject: Modification of the Minimum Assessment Agreement (MAA) for Block 3 of the Village at St. Anthony Falls Project (formerly known as the St. Anthony East Bank Village Project)

Previous Directives: Preliminary concept approval and direction to staff to exclusively negotiate business terms with Hunt Gregory and proceed with the establishment of a new redevelopment project and TIF district occurred October 1, 1999. On February 4, 2000 the MCDA Board of Commissioners granted enhanced concept approval to the Hunt Gregory proposal and directed staff to continue negotiating with Hunt Gregory for redevelopment of the Lupient property. On June 5, 2000 the MCDA Board approved both the redevelopment project and TIF district and authorized contract execution based on the negotiated business terms. On September 29, 2000 the MCDA Board authorized the initiatives of eminent domain proceedings in order to assist in site assembly for the project. On October 16, 2000 the MCDA Board approved the note resolutions, amendments to the MCDA's 2000 appropriation resolution and related financing issues. \$1,344,303 in Minnesota Department of Trade & Economic Development (DTED) Contamination Cleanup and Metropolitan Council Livable Communities Tax Base Revitalization Account (TBRA) grant funding was accepted February 1, 2001. City Council authorization to submit additional applications to DTED for Contamination Cleanup and Metropolitan Council TBRA programs was approved April 20, 2001. On August 24, 2001, the City Council accepted two grant awards from the April 2001 round: \$382,422 from the Metropolitan Council TBRA grant program and \$1,252,429 from the DTED Contamination cleanup program. On October 26, 2001, the City Council approved submission of a grant request for the Village at St. Anthony Falls project to the Metropolitan Council TBRA grant program. On March 15, 2002 the City Council accepted a \$201,500 Metropolitan Council TBRA grant for the Village at St. Anthony Falls project.

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Neighborhood Group Notification: The Lupient Task Force is regularly advised as to the status of this project.

Consistency with *Building a City That Works*: The project is consistent with Goal 3: Create strong vital commercial corridors city-wide through mixed-use development including a variety of businesses and creative housing. Goal 4: Preserve, enhance and create a sustainable natural and historic environment city-wide. Develop and support livable neighborhoods in the production of decent, affordable rental housing and renovating structures.

Comprehensive Plan Compliance: Complies.

Zoning Code Compliance: Complies.

Impact on MCDA Budget: (Check those that apply)

- ☒ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

Living Wage / Business Subsidy: Complies.

Job Linkage: Complies.

Affirmative Action Compliance: Complies.

RECOMMENDATION:

City Council Recommendation: The Executive Director recommends that the City Council approve a modification of the Minimum Assessment Agreement (MAA) for Block 3 of the Village at St. Anthony Falls Project.

MCDA Board Recommendation: The Executive Director recommends that the Board give the Executive Director authority to administratively adjust unit and building valuations within the modified MAA, as needed in the future, so long as the total minimum valuation of the entire block does not decrease.

Background

The Village at St. Anthony Falls Project (formerly known as the St. Anthony East Bank Village Project) is a three-block project in the Nicollet Island/East Bank neighborhood. The developer, HuntGregory, approached the City and Agency in the fall of 1999 seeking public assistance for the project in the form of tax increment financing, pollution grants, housing revenue bonds, and other financial assistance. In June of 2000 the City

Council approved establishment of the East Hennepin & University Tax Increment Financing District (#102). The TIF district encompasses the entire three-block project.

Block 1 of the project is located at the northwest corner of Hennepin Ave. E. & University Ave. NE. Development on this block is substantially complete, and encompasses first floor commercial space (15,000 sq. ft.), 30 affordable rental housing units on the 2nd and 3rd floors, rehabilitation of the historic Firebarn and Annex for commercial uses (30,000 sq. ft.) and a structured parking facility.

Block 2 of the project is located at the northwest corner of 1st Ave NE. & University Ave. NE. Development on this block is also substantially complete, and encompasses 48 for-sale townhomes in eight buildings. All units have been constructed and 41 units have been sold at this time.

Block 3 of the project is located at the northwest corner of 1st Ave NE & 2nd St. NE. Initially this block included 47 for-sale loft units in Building A, 40 for-sale loft units in Building B, and 12 brownstone units. Building A has been constructed, and 39 units have been sold at this time. Construction on Building B and the Brownstones have not yet begun.

Tax Increment Financing for Block 3

In October of 2000, the Board authorized the Agency to issue taxable tax increment revenue notes to pay for the public redevelopment costs associated with Block 3. Such costs included land writedown (to fair market value), relocation, demolition, environmental & geo-technical, and public infrastructure costs.

Two series of notes were sold, one in June of 2001 and one in April of 2002, totaling \$7,369,000. This total amount included \$5,200,000 for public redevelopment costs and \$1,169,000 for capitalized interest and various issuance fees. The notes were sold to over 30 community banks in the upper Midwest, and are payable and secured by tax increment, a developer guaranty, and a minimum assessment agreement (MAA). The current MAA specifies a minimum estimated market value (EMV) for each of the proposed housing units, as well as the building totals shown below.

<u>Building</u>	<u># of Units</u>	<u>Minimum Estimated Market Value</u>
A	47 (lofts)	\$29,262,300
B	40 (lofts)	23,325,250
Brownstones	12	<u>11,383,800</u>
		\$63,971,350

Changes to Block 3 Minimum Assessment Agreement (MAA)

Due to unforeseen marketing conditions and economic factors, the sale of Building A units and the design and configuration of Building B and the Brownstones have

changed. Building B will now contain 62 smaller units within the same overall building size. Building A and the Brownstones have/will be sold at a slightly lower prices than originally projected. The modified MAA will contain the following revised totals.

Revised MAA Valuations

<u>Building</u>	<u># of Units</u>	<u>Minimum Estimated Market Value</u>
A	47 (lofts)	\$29,081,057
B	62 (lofts)	26,969,978
Brownstones	12	<u>9,600,000</u>
		\$65,651,035

Notice that the total minimum EMV of the block has actually increased by \$1,679,685, and therefore there is no adverse impact to the Agency or to the note holders (banks).

Pursuant to M.S. Section 469.177, Subd. 8, the modification of an assessment agreement, in which the total minimum valuation is being increased, must be approved by the City Council and filed for record. It is hereby requested that the City Council authorize a modification to the MAA for Block 3 to reflect the revised valuations shown above.

It is also anticipated that individual unit values (not shown) within the MAA may need some minor adjustments in the future. It is requested that the Executive Director be given authorization to administratively adjust the MAA, as needed in the future, so long as the total minimum valuation of the entire block does not decrease.